Workplace Education Series

Tax Efficient Savings Through Roth In-Plan Conversions

Agenda

2023 NTESS 401(k) Plan

Savings strategies

Next steps

Ways to Save

	Pre-tax	Roth 401(k)	After-Tax
IRS Limits	$22,500 combined limit in 2023 ($30,000 if age 50+) 2%-75% of eligible pay[1]		$66,000 ($73,500 if 50+)[3] 2%-75% of eligible pay
Company Match Eligible	**Yes** 66 2/3% of each $1 up to first 6% of eligible pay	**Yes** 66 2/3% of each $1 up to first 6% of eligible pay	**Yes** 66 2/3% of each $1 up to first 6% of eligible pay
Taxation at Contribution	**No** Contributions deducted before taxes	**Yes** Contributions deducted after taxes	**Yes** Contributions deducted after taxes
Taxation at Distribution	**Yes** Pay taxes on contributions and any earnings	**No** Contributions and any earnings are tax-free[2]	**Partially** Contributions are tax-free, but any earnings are taxable

[1]The sum of the three contribution options above can't exceed 75% of eligible pay. NTESS will match the first 6% of eligible pay, whether it is pretax, Roth or after-tax.
Generally, qualified distributions are distributions that occur any time after the Roth account has existed for five years and the you are at least 59.5 years of age. Distributions prior to meeting those requirements result in income and/or excise taxes. (Note that death or disability of the participant may also enable qualifying distributions.)
[3]Annual additions limit applies to all of your contributions and the 401(k) match.

2023 After-tax contribution savings opportunity

Here is an example assuming $100,000 annual pay and an NTESS matching contribution of 6% of eligible pay.

Total 2023 IRS annual limit		Your 2023 Pre-tax/Roth contributions		401(k) Match*		NTESS Enhanced Contribution±		Potential after-tax contributions
$66,000	−	**$22,500**	−	**$4,000**	−	**$6,000**	=	**$33,500**

*Based on 66 2/3% of $1 up to 6% and assumes $100,000 of eligible pay

±If you were hired after January 1, 2009, you'll want to factor in the NTESS Enhanced Contribution, equal to 6% of your eligible earnings or 7% if you have 15 or more years of service. If you are in the Pension you would ignore this part of the calculation

Maximizing your financial wellbeing

1

Obtain full 401(k) match

2

Maximize pre-tax and/or Roth contributions

3

Consider maxing out contributions and continuing with after-tax

4

Consider Roth in-Plan conversion

Potential future tax advantages

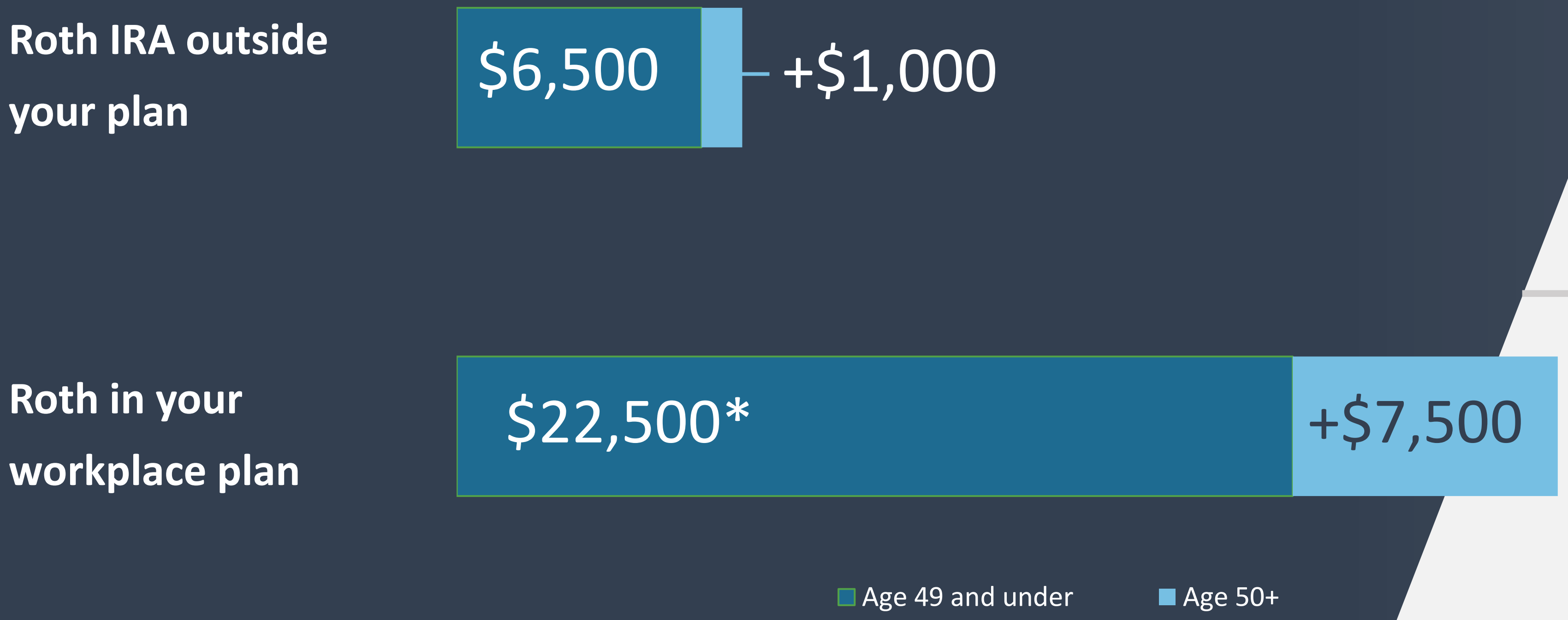
	Contributions	Potential growth	Account totals (prior to distribution)	Amount you may pay taxes on upon distribution in retirement
Pre-tax (subject to IRS limits)	$48,000	+ $56,000	$104,000	**$104,000**
Roth* (subject to IRS limits)	$48,000	+ $56,000	$104,000	**$0**
Traditional after-tax	$48,000	+ $56,000	$104,000	**$56,000**

*A distribution from a Roth workplace savings plan is federally tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death. State taxes may apply.

This hypothetical example does not include an annual increase in income (only a flat $2,400 yearly contribution) but does assume a 7% annual average rate of return, no employer contributions, a 20-year compounding timeline, and a $0 starting balance. Source: Contribution Calculator on NetBenefits.com. This example is intended to demonstrate the potential differences in future taxable income for each type of workplace savings plan contribution. As with any tax strategy, you should consult a tax or financial advisor to discuss your specific situation.

Roth IRA vs. Roth in your workplace savings plan

2023 IRS contribution limits



Income limits

Income limit on contribution for single and joint filers

No income limit

*This is the combined Roth and pretax workplace savings plan contribution limit for 2023.

The change in the RMDs age requirement from 72 to 73 applies only to individuals who turn 72 on or after January 1, 2023. After you reach age 73, the IRS generally requires you to withdraw an RMD annually from your tax-advantaged retirement accounts (excluding Roth IRAs, and Roth accounts in employer retirement plan accounts starting in 2024). Please speak with your tax advisor regarding the impact of this change on future RMDs.

Roth IRA limits: Different from workplace savings plan limits

2023 IRS contribution limits

Roth IRA $6,500 +$1,000

Age 49 and under | Age 50+

Income limit on contribution for single and joint filers

	Phase-out begins	Ineligible
Single	$138,000	$153,000
Joint	$218,000	$228,000

Roth In-Plan Conversions

Convert **After-tax** money/earnings

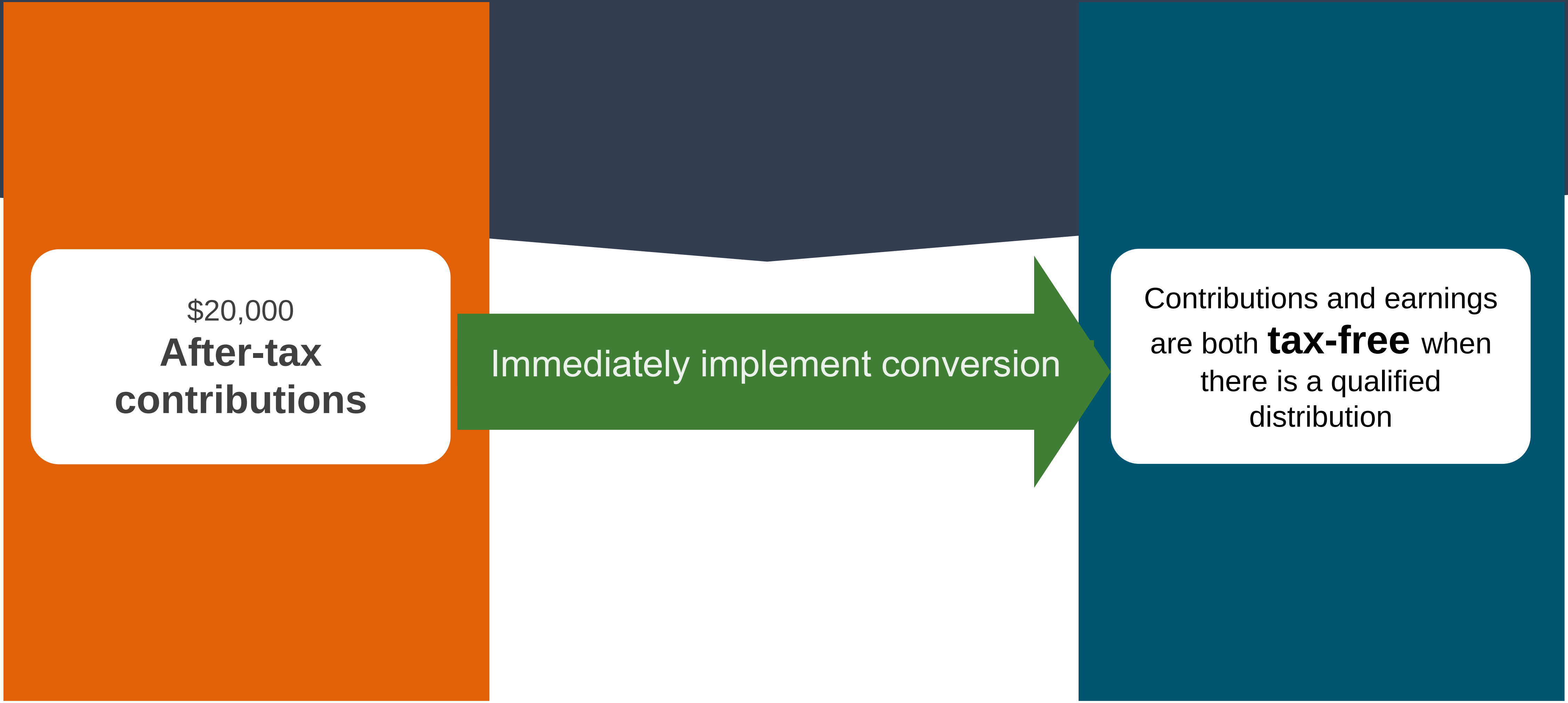
Eligibility

Frequency of conversion

Taxes

You may also convert pre-tax balances if you are age 59½ or older or no longer at NTESS.

Example 1: Immediate Roth in-Plan conversion



Example 2: Delayed Roth In-Plan Conversion

Convert eligible sources and earnings

Pay taxes on assets converted in the year of conversion

Build additional tax-free retirement income*

Example

+$1,000
Value due to earnings growth

$20,000
contribution into after-tax

Following a conversion, future earnings will be **tax-free**

Only pay taxes on earnings accumulated up to that point

*A distribution from a Roth account is federally tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death. State taxes may apply.

Example 3: Roth In-plan Conversion Comparison

Wendy and Carl plan to max out their pre-tax and/or Roth 401(k) contributions in 2023 and want to save more. Wendy uses after-tax contributions and Roth In-plan Conversions. Carl makes additional contributions to his personal brokerage account outside the 401(k) Plan. Both aim to invest this sum for 30 years.

Wendy	2023 Contributions	Carl
$10,500 (Wendy will pay taxes on after-tax earnings from outside assets when she converts)	After-tax contribution with conversion to Roth	$0
$0	After-tax contribution to personal brokerage account*	$10,500
$79,928 -$0 (taxes) = **$79,928**	**In 30 years the balance available after taxes have been paid:**	$79,928 - $10,414 (taxes) = **$69,514**

*Personal savings outside the Plan.

This hypothetical example compares tax-free Roth 401(k) plan account and taxable account investing and the after-tax amounts potentially available from each at the end of the assumed time period (30 years): (1) A single after-tax contribution of $10,500 in 2023; (2) A compounded, annual rate of return of 7%; (3) an individual federal income tax rate of 22% applied once to the ending after-tax balance; (4) A federal long-term capital gains tax rate of 15% applied once to the ending balance of the personal brokerage assets after 30 years; (5) No state or local taxes, constant annual taxes on capital gains, interest or dividends, inflation adjustments, or any account fees or expenses were considered. If they were, returns would be lower. The ending values do not reflect fees or inflation. If they did, amounts would be lower. Earnings and pre-tax contributions are subject to taxes when withdrawn. Distributions before age 59 1/2 may also be subject to a 10% penalty. Contribution amounts are subject to IRS and Plan limits. Systematic investing does not ensure a profit or guarantee against a loss in a declining market. This example is for illustrative purposes only and does not represent the performance of any security. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for 7% annual rate of return also come with risk of loss.

Investors may realize capital gains or capital losses in any year that they sell shares within a taxable account, although this example does not take into account capital loss carry forwards or other tax strategies used to reduce taxes that could be incurred in a taxable account. Lower capital gains or dividend tax rates or tax rates in general, would make the return for the taxable account more favorable.

Requesting a Roth In-Plan Conversion

Call Fidelity at 800-240-4015

Automate

Automated daily conversion simplifies process and helps limit taxes

OR

One-time conversion

Requires calling Fidelity each time

Consult a tax advisor for more info on tax implications before requesting a conversion

Roth In-Plan Conversion Factors to Consider

A conversion may make sense if you...

- Are contributing After-tax money to the Plan
- Diversify your retirement assets between Roth and non-Roth accounts

Be careful of converting if you...

- Have accumulated earnings on your After-tax money
- Plan to leave balances to a tax-exempt charity

Additional important considerations

- How much should I convert?
- How should I plan to pay taxes on the converted funds?
- What if my situation changes after I convert?
- Consult with your tax advisor and financial planner

Next Steps

Visit
Fidelity NetBenefits or
the Contribution
Maximizer tool

www.401k.com

www.contributionmaximizer.com

View an on-demand
workshop

https://netbenefits.fidelity.com/ondemandmeetings

Consult your
tax advisor

Get Started
Call the NTESS Savings
Plan Information and
Transaction line
800-240-4015

- **Elect After-tax contributions**
- **Initiate a Roth in-Plan conversion**

Help is here

Fidelity's one-on-one consultations help you answer questions like:

- How do I create a plan to prepare for retirement?
- How can I feel more confident about my investment choices?
- Are all my savings goals on track?
- What if I change jobs or have changes with my family?

Go to NetBenefits.com for a one-on-one consultation at a time that works for you.

visit
https://netbenefits.fidelity.com/retirementconsultation

Important information

Investing involves risk, including risk of loss.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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